

# SENATE BILL 644

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By: **Senators Pugh, Harrington, Jones, Madaleno, and Rosapepe**

Introduced and read first time: February 5, 2010

Assigned to: Finance

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## A BILL ENTITLED

1 AN ACT concerning

2 **Insurance – Premium Finance Companies – Limitation on Referrals by**  
3 **Insurance Producers**

4 FOR the purpose of prohibiting, with respect to personal lines automobile insurance  
5 written through the Maryland Automobile Insurance Fund, an insurance  
6 producer or an agent or employee of an insurance producer from directing or  
7 referring an insured to a premium finance company in which the insurance  
8 producer, agent, or employee has a certain beneficial interest or with which the  
9 insurance producer, agent, or employee has a certain compensation  
10 arrangement; requiring an insurance producer or an agent or employee of an  
11 insurance producer to report a certain beneficial interest in or compensation  
12 arrangement with a premium finance company to the Maryland Insurance  
13 Commissioner in a certain manner; establishing a certain civil penalty for a  
14 violation of this Act; defining certain terms; and generally relating to referrals  
15 of insureds to premium finance companies.

16 BY adding to

17 Article – Insurance

18 Section 23–505.3

19 Annotated Code of Maryland

20 (2006 Replacement Volume and 2009 Supplement)

21 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
22 MARYLAND, That the Laws of Maryland read as follows:

23 **Article – Insurance**

24 **23–505.3.**

25 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE**  
26 **MEANINGS INDICATED.**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1           **(2) “BENEFICIAL INTEREST” MEANS OWNERSHIP, DIRECTLY OR**  
2 **INDIRECTLY, THROUGH EQUITY, DEBT, OR OTHER MEANS, OF ANY FINANCIAL**  
3 **INTEREST.**

4           **(3) “COMPENSATION ARRANGEMENT” MEANS ANY AGREEMENT**  
5 **UNDER WHICH A PREMIUM FINANCE COMPANY PROVIDES, DIRECTLY OR**  
6 **INDIRECTLY, TO AN INSURANCE PRODUCER OR AN AGENT OR EMPLOYEE OF AN**  
7 **INSURANCE PRODUCER ANY REMUNERATION, INCLUDING BONUSES OR GIFTS.**

8           **(B) WITH RESPECT TO PERSONAL LINES AUTOMOBILE INSURANCE**  
9 **WRITTEN THROUGH THE MARYLAND AUTOMOBILE INSURANCE FUND, AN**  
10 **INSURANCE PRODUCER OR AN AGENT OR EMPLOYEE OF AN INSURANCE**  
11 **PRODUCER MAY NOT DIRECT OR REFER AN INSURED TO A PREMIUM FINANCE**  
12 **COMPANY:**

13           **(1) IN WHICH THE INSURANCE PRODUCER, AGENT, OR EMPLOYEE**  
14 **HAS A BENEFICIAL INTEREST; OR**

15           **(2) WITH WHICH THE INSURANCE PRODUCER, AGENT, OR**  
16 **EMPLOYEE HAS A COMPENSATION ARRANGEMENT.**

17           **(C) AN INSURANCE PRODUCER OR AN AGENT OR EMPLOYEE OF AN**  
18 **INSURANCE PRODUCER WHO HAS A BENEFICIAL INTEREST IN OR A**  
19 **COMPENSATION ARRANGEMENT WITH A PREMIUM FINANCE COMPANY SHALL**  
20 **REPORT THE BENEFICIAL INTEREST OR COMPENSATION ARRANGEMENT TO THE**  
21 **COMMISSIONER IN THE MANNER THE COMMISSIONER REQUIRES.**

22           **(D) SUBJECT TO THE HEARING PROVISIONS OF TITLE 2 OF THIS**  
23 **ARTICLE, AN INSURANCE PRODUCER OR AN AGENT OR EMPLOYEE OF AN**  
24 **INSURANCE PRODUCER WHO VIOLATES ANY PROVISION OF THIS SECTION IS**  
25 **SUBJECT TO A CIVIL FINE NOT EXCEEDING \$1,000.**

26           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
27 October 1, 2010.